

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Insurance, Securities and Banking

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Lawrence H. Mirel

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IN THE MATTER OF:)

ADMINISTRATIVE ORDER

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)
L.H. ROSS COMPANY, INC. and)
FRANKLYN ROSS MICHELIN,)

Respondents.)

Order No. SB-05-01

FINAL ORDER TO CEASE AND DESIST

In accordance with the provisions of the District of Columbia Administrative Procedure Act, D.C. Official Code § 1-1509(a) (1997 Supp.), the Rules of Practice and Procedures for Hearings in the District of Columbia §§ 17 DCMR 8100 et seq. (2002), and the Securities Act of 2000, D.C. Official Code § 31-5601.01 et seq. (2001 Ed.) ("Act"), you are hereby ordered to Cease and Desist your activities as a broker-dealer and broker-dealer agent in the District of Columbia, pursuant to D.C. Official Code § 31-5606.01 (a).

Whereas, D.C. Official Code § 31-5606.02(b)(1) grants the Commissioner of the Department of Insurance, Securities and Banking ("Commissioner") (formerly the Department of Insurance and Securities Regulation) the power to issue an Order directing the person to cease and desist from engaging in such act or practice constituting a violation of any provision of the Act or any rule or order.

RESPONDENTS

Whereas, Respondent L.H. Ross Company, Inc. (LHROSS), a New York corporation with a business address of 2255 Glades, Suites 425W, Boca Raton, FL 33431, has been a licensed securities broker-dealer in the District of Columbia during the period of March 13, 1997 until present, pursuant to D.C. Official Code § 31-5602.01.

Whereas, Respondent Franklyn Ross Michelin ("MICHELIN"), with a business address of 2255 Glades Road, Suite 425W, Boca Raton, FL 33431, has been a registered broker-dealer agent in the District of Columbia during the period of March 18, 2005 until present, pursuant to D.C. Official Code § 31-5602.01.

STATEMENT OF FACTS

Whereas, MICHELIN is the President, Chief Executive Officer, Chief Financial Official, Chief Compliance Officer and President of LHROSS. MICHELIN also owns L.H. ROSS Holding Corporation, which owns all of LHROSS' common stock.

Whereas, on August 30, 2004, LHROSS received a Temporary Cease and Desist Order from the National Association of Securities Dealers ("NASD") ordering LHROSS to cease and desist from multiple securities-related violations including Sec. 17(a) of the Securities Act of the Securities Act of 1933, Sec. 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder, NASD rules 2120 and 2110, and from dissipating or converting customers' assets or causing other harm to investors.

Whereas, on December 15, 2004, a Hearing Panel of the NASD issued a decision against LHROSS and MICHELIN for violations of NASD Conduct Rule 2110, which requires members to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Specifically, LHROSS and MICHELIN had failed to pay an arbitration award and had filed a meritless pleading. As a result, the Hearing Panel fined LHROSS \$50,000, jointly and severally, and ordered LHROSS to pay nearly \$70,000 in restitution. In addition, the Hearing Panel suspended MICHELIN for six months.

Whereas, On January 14, 2005, a Hearing Panel of the NASD issued a decision against LHROSS for having offered and sold unregistered securities in violation of NASD Conduct Rule 2110 and Section 5 of the Securities Act of 1933 and for having committed securities fraud in violation of NASD Conduct Rules 2110 and 2120, section 17(a) of the Securities Act of 1933, and section 10(b) of the Securities and Exchange Act of 1934 and SEC Rules 10b-5 promulgated thereunder. Specifically, LHROSS had engaged in "a scheme to defraud investors," operating as a "boiler room" and making material misrepresentations and omissions in connection with the offer and sale of securities issued by LHROSS through private placement offerings in 2003 and 2004. The Hearing Panel found that LHROSS' activity included an egregious pattern of intentional misconduct and that LHROSS had attempted to obstruct the NASD's investigation. Further, the Hearing Panel stated that the matter involved "widespread, significant and identifiable customer harm" and that any future attempt by LHROSS to solicit customers to invest in unregistered securities would pose "an extreme threat to the investing public."

Whereas, as a result of its findings, the Hearing Panel in the January 14, 2005 decision expelled LHROSS from NASD membership, ordered the firm to permanently cease and desist from violating securities laws and regulations, imposed a \$500,000 fine, and ordered LHROSS to pay over \$11 million in restitution.

Whereas, the Hearing Panel in the January 14, 2005 decision also noted "the firm's extensive disciplinary history" as evidence of the firm's "disregard for regulatory requirements, investor protection and commercial integrity." Both LHROSS and MICHELIN have a lengthy record of actions and orders against them by the NASD and state regulators, as well as an undistinguished history of customer complaints and arbitration claims.

Whereas, on February 25, 2005, LHROSS was suspended by the NASD, pursuant to the provisions of NASD Code of Procedure 9558. The NASD Suspension Order stated in pertinent part, "L.H. Ross & Company, Inc. is in such financial or operating difficulty" that the firm "cannot be permitted to continue to do business as a member with safety to investors, creditors, other members or NASD" based on the inaccuracy of data contained in the firm's most recent focus filing; the firm's inability to provide supporting data that the firm should have had available and access to in preparing

its financial reports; the firm's failure to account for certain charges in its net capital computation; its failure to follow prudent accounting practices such as the balance of its bank accounts; its violation of an NASD Cease and Desist Order; the firm's depletion of its resources, in part through securities transactions in apparent violation of NASD rules and the lack of current clearing arrangement.

Whereas, three actions against LHROSS and MICHELIN are still pending before the NASD disciplinary panels. The first action, filed on October 24, 2003, alleges that they operated an illegal scheme to manipulate the market in Trident International Systems stock and engaged in an unregistered distribution of that stock through fraudulent sales practices including unauthorized trading, failure to execute sell orders, excessive markups, and material misrepresentations and omissions. It also alleged that they failed to supervise sales agents. The second action, filed on July 7, 2004, alleges that they participated in a scheme to defraud their customers through making unauthorized trades, falsifying order tickets, and failing to make and preserve order tickets. It is also alleged that they unlawfully employed an unregistered person and failed to supervise sales agents. The third action, filed on August 26, 2004, alleges that they failed to respond to several NASD requests for information.

Whereas, on January 17, 2005, after providing notice and opportunity for hearing, the state of New Hampshire issued an order revoking LHROSS' broker-dealer registration for having allowed unlicensed sales representatives to sell unregistered securities

Whereas, on January 18, 2005, after providing notice and opportunity for hearing, the state of Connecticut issued an order revoking LHROSS' broker-dealer registration, ordering the firm to permanently cease and desist from violating securities laws and regulations, and imposing a fine of \$420,000. The basis for the order involved, among other things, various dishonest and unethical business practices, failure to supervise sales agents, and willful violations of state law including the employment of unregistered persons and unauthorized securities transactions in customer accounts.

Whereas, on February 14, 2005, after providing notice and opportunity for hearing, the state of Texas issued an order revoking LHROSS' broker-dealer registration for fraudulent business practices, unsuitable customer investments, inequitable practices in the sales of securities, and a refusal to furnish information to the Texas securities commissioner.

Whereas, on March 8, 2005, after providing notice and opportunity for hearing, the state of Maine issued an order revoking LHROSS' broker-dealer registration for allegations stated herein against LHROSS by NASD and the states of New Hampshire, Connecticut and Texas.

Whereas, on March 22, 2005, after providing notice and opportunity for hearing, the state of Colorado issued an order revoking LHROSS' broker-dealer registration for allegations stated herein against LHROSS by NASD and the states of New Hampshire, Connecticut, Texas and Main.

Whereas on April 29, 2005, based on the foregoing, the Department of Insurance, Securities and Banking issued a Summary Cease and Desist Order directing the Respondents to cease and desist their activities in the District of Columbia.

Whereas, on April 29, 2005, the Commissioner notified the Respondent by certified mail, United States Postal Service, that he may request a hearing upon this matter by transmitting such request, in writing, within fifteen (15) business days of receipt of the Summary Cease and Desist Order, pursuant to D.C. Official Code § 31-5606 02(a);

Whereas, on May 9, 2005, the Department received confirmation from the United States Postal Service that the Certified Letter containing the Summary Cease and Desist Order had been delivered to the Respondents' business address of 2255 Glades Road, Ste. # 425 W, Boca Raton, FL 33431 and REFUSED on May 9, 2005;

Whereas, as of August 16, 2005, the Department had not received a request for a hearing from the Respondents or from the Respondents' counsel;

Whereas, the Commissioner has the authority to issue a Cease and Desist order, bar the Respondent from engaging in the securities business in the District, issue an order imposing a civil penalty up to \$10,000 per violation, and issue an order requiring restitution pursuant to D.C. Official Code § 31-5606.02(b).

VIOLATIONS

1. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of New Hampshire for having allowed unlicensed sales representatives to sell unregistered securities. This conduct constitutes a violation of D.C. Official Code § 31-5602.07(a)(6).
2. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of Connecticut for various dishonest and unethical business practices, failure to supervise sales agents, and willful violations of state law including the employment of unregistered persons and unauthorized securities transactions in customers' accounts. This conduct constitutes a violation of D.C. Official Code § 31-5602.07(a)(6).
3. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of Texas for the sale of unregistered stock and multiple fraudulent misrepresentations and inequitable practices in the sale of securities. This conduct constitutes a violation of D.C. Official Code § 31-5602.07(a)(6).
4. LHROSS has been the subject of an which revoked its registration as a securities dealer in the state of Maine for being the subject of an order by the SEC and/or another state securities agency, the subject of an order by another state securities agency or by the NASD suspending or revoking that person's license, expulsion from membership in a self-regulatory organization registered under the Securities Exchange Act of 1934, intentionally or knowingly violating or failing to comply with a provision of the federal securities laws or other state securities laws, failing reasonably to supervise sales representatives, and engaging in any unlawful, unethical or dishonest conduct or practice in the securities business. This conduct constitutes a violation of D.C. Official Code § 31-5602.07(a)(6).

5. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of Colorado for expulsion from membership in a self-regulatory organization registered under the Securities Exchange Act of 1934 and being the subject of orders by other states' securities agencies. This conduct constitutes a violation of D.C. Official Code § 31-5602.07(a)(6).
6. NASD issued a Suspension Order on February 25, 2005 based in part on LHROSS' failure to cease and desist from further securities violations as evidenced by the violation of the Temporary Cease and Desist Order date August 30, 2004. This conduct constitutes a violation of D.C. Official Code § 31-5602.07(a)(6).
7. Michelin has been barred from associating with any NASD member in any capacity. This is a violation of D.C. Official Code § 31-5602.07(a)(4).

Whereas, pursuant to D.C. Official Code § 31-5606.02(b), the Commissioner has determined that:

1. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of New Hampshire for having allowed unlicensed sales representatives to sell unregistered securities, in violation of D.C. Official Code § 31-5602.07(a)(6).
2. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of Connecticut for various dishonest and unethical business practices, failure to supervise sales agents, and willful violations of state law including the employment of unregistered persons and unauthorized securities transactions in customers' accounts, in violation of D.C. Official Code § 31-5602.07(a)(6).
3. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of Texas for the sale of unregistered stock and multiple fraudulent misrepresentations and inequitable practices in the sale of securities, in violation of D.C. Official Code § 31-5602.07(a)(6).

4. LHROSS has been the subject of an which revoked its registration as a securities dealer in the state of Maine for being the subject of an order by the SEC and/or another state securities agency, the subject of an order by another state securities agency or by the NASD suspending or revoking that person's license, expulsion from membership in a self-regulatory organization registered under the Securities Exchange Act of 1934, intentionally or knowingly violating or failing to comply with a provision of the federal securities laws or other state securities laws, failing reasonably to supervise sales representatives, and engaging in any unlawful, unethical or dishonest conduct or practice in the securities business, in violation of D.C. Official Code § 31-5602.07(a)(6).
5. LHROSS has been the subject of an order which revoked its registration as a securities dealer in the state of Colorado for expulsion from membership in a self-regulatory organization registered under the Securities Exchanger Act of 1934 and being the subject of orders by other states' securities agencies, in violation of D C. Official Code § 31-5602.07(a)(6).
6. Respondents have been the subject of an NASD issued a Suspension Order on February 25, 2005 based in part on LHROSS' failure to cease and desist from further securities violations as evidenced by the violation of the Temporary Cease and Desist Order date August 30, 2004, in violation of D.C. Official Code § 31-5602.07(a)(6).
7. Michelin has been barred from associating with any NASD member in any capacity, in violation of D.C. Official Code § 31-5602.07(a)(4).

ORDER

In light of the foregoing, and in order to prevent or avoid danger to the public welfare, it is hereby ORDERED by the Commissioner of the Department of Insurance, Securities and Banking, in accordance with D.C. Official Code §31-5606.02 (b)(1), that:

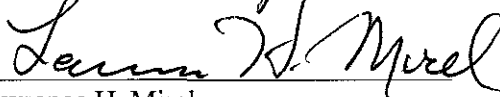
1. Respondents, together with their employees, agents, affiliates, assignees, successors, and associated entities, shall immediately **CEASE AND DESIST** from offering or selling securities in the District, and from directly or indirectly aiding or assisting other individuals

or entities from offering or selling securities in the District.

2. Respondents, together with their employees, agents, affiliates, assignees, successors, and associated entities, shall immediately **CEASE AND DESIST** from any and all other or further violations of the Act.
3. Respondents are advised that, pursuant to the D.C. Official Code §31-5606.04, any violations found in this Order to Cease and Desist is punishable as a felony.

SO ORDERED:

Dated this 16th day of August, 2005.

In Witness Whereof, I have hereunto
set my hand and affixed the official seal
Of this Department in the District of Columbia,
this 17th day of August, 2005.

Lawrence H. Mirel,
Commissioner

Washington, District of Columbia
Subscribed and sworn to before me, in my presence,
this 17th day of August, 2005
by Lawrence H. Mirel
Joseph H. Most Notary Public
My commission Expires August 31, 2006